United Nations A/60/314

General Assembly

Distr.: General
30 August 2005

Original: English

Sixtieth session
Item 58 (a) of the provisional agenda*
Eradication of poverty and other development issues: Implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006)

The centrality of employment to poverty eradication

Report of the Secretary-General

Summary

The present report has been prepared pursuant to resolution 59/247, in which the General Assembly reaffirmed that, within the context of overall action for the reduction of poverty, special attention should be given to the multidimensional nature of poverty and that the eradication of poverty should be addressed in an integrated way, taking into account sectoral strategies in the area of productive employment, inter alia. The report examines the relationship between growth, employment and poverty, arguing that employment is the missing link in the growth and poverty reduction equation. It also discusses the key elements of employment strategy, including generating adequate levels of productive employment and work, enhancing productivity, choice of technique, sectoral shift and labour market interventions. In its penultimate section, the report addresses the employment dimensions of security and human rights, and their linkages to growth and poverty reduction. The report concludes with policy recommendations that underscore the importance of making decent and productive employment the cornerstone of development and poverty reduction.

* A/60/150.

05-47633 (E) 061005

Contents

		Paragraphs	*Page*
I.	Introduction	1–3	3
II.	A policy framework for employment and the eradication of poverty	4–7	3
III.	Growth, employment and poverty	8–39	4
	A. The working poor	8–11	4
	B. Growth-employment linkages	12–17	6
	C. Improving productivity	18–22	7
	D. Labour-intensive approaches	23–30	8
	E. Managing sectoral shift	31–36	10
	F. Labour market interventions	37–39	11
IV.	Security, human rights, poverty and employment	40–66	12
	A. Security: employment dimensions	40–53	12
	B. Human rights: employment dimensions	54–66	15
V.	Conclusions and recommendations	67–69	18

I. Introduction

1. The present report has been prepared in response to General Assembly resolution 59/247 of 22 December 2004 on the implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006), in which the Assembly reaffirmed that, within the context of overall action for the eradication of poverty, special attention should be given to the multidimensional nature of poverty, and that the eradication of poverty should be addressed in an integrated way, taking into account sectoral strategies in the area of productive employment, inter alia, in such a way as to increase opportunities and choices for people living in poverty.

2. The theme of the present report — the centrality of employment to poverty eradication — was selected with the aim of advancing the discourse on the need to put productive employment at the centre of economic and social policies, and of raising international and national awareness about the role of employment in reducing poverty and the contribution of productive employment to achieving the Millennium Development Goals, in particular the goal of halving poverty by 2015.

3. The report outlines a policy framework for employment and poverty eradication as advocated by major international conferences, and gives an overview of estimates of the magnitude and distribution of poverty among the working poor. It focuses on the relationship between growth, employment and poverty, arguing that employment is the missing link in the growth and poverty equation. The interrelationship between security, poverty eradication and economic growth is also examined. Conflict negates development gains and prevents many people from earning a decent living, highlighting the fact that poverty, lack of dignity and lack of respect for human rights increase the risk of social tension, violence and insecurity. The report also examines dimensions of rights with respect to employment in the context of human rights. Lastly, the report presents policy recommendations for making decent and productive employment the cornerstone of development and poverty eradication.

II. A policy framework for employment and the eradication of poverty

4. The critical link between poverty eradication and employment as central to people-centred development was made at the World Summit for Social and Development in 1995. The Copenhagen Declaration on Social Development adopted by the World Summit committed Member States "to enabling all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work".[1] Further, the General Assembly at its twenty-fourth special session, in 2000, called attention to the international dimensions of the employment challenge and recognized that a coherent and coordinated international strategy on employment was needed. Moreover, there was broad agreement at that special session that employment is a vital instrument for achieving the new target of reducing the proportion of people living in extreme poverty by half by the year 2015. The Commission for Social Development, on the occasion of the tenth anniversary of the World Summit for Social Development in 2005, reaffirmed employment as a fundamental component of any development strategy.[2]

5. The Millennium Declaration, however, relies on a definition of poverty in terms of income, less than a dollar a day, which is a departure from the multidimensional approach taken at the World Summit for Social Development. Also, the link between employment creation and poverty reduction is not spelled out in the Millennium Development Goals, apart from the target in Goal 8 pertaining to the development of decent and productive work for youth. Although the promotion of youth employment is a major goal, it is not a substitute for the broader goal of expanding productive employment for all.

6. Since the Millennium Summit, several high-level meetings of major regional groups[3] have addressed the challenges posed by poverty, unemployment and underemployment, and have recognized that the creation of productive employment opportunities is essential for achieving poverty reduction and sustainable economic and social development. At these meetings, Heads of State and Government have committed themselves to making employment creation a central objective of their economic and social policies for poverty alleviation. In addition, the report of the World Commission on the Social Dimension of Globalization underlined that decent work should be made a global goal and be pursued through coherent policies within the multilateral system.[4]

7. In sum, the review of the implementation of the United Nations Millennium Declaration presents an opportunity to emphasize the need for more determined and coherent action to achieve the objectives of the Millennium Declaration and the Millennium Development Goals through economic and social policies that promote greater opportunities for productive employment. This is further emphasized in the report of the Secretary-General, "In larger freedom: towards development, security and human rights for all", which underscores the crucial importance of providing decent jobs that both provide income and empowerment for the poor, especially women and younger people.[5]

III. Growth, employment and poverty

A. The working poor[6]

8. About half of the people living in poverty today are of working age — between 15 and 64 years.[7] Recent estimates (see table below) show that 49.7 per cent of the world's workers and their families (over 58.7 per cent of workers in developing countries) live below the $2 a day poverty threshold and 19.7 per cent of working people in the world (over 23.3 per cent of workers in developing countries) live on less than $1 a day. Among developing regions, sub-Saharan Africa has the highest level of working poor, with 55.8 per cent of all the employed earning less than $1 a day. Despite some progress, the region continues to struggle with negative productivity growth rates, low-productivity employment and underemployment. South Asia is home to the bulk of the world's workers earning less than $2 a day, even though the region has experienced strong productivity and gross domestic product (GDP) growth rates and relatively low unemployment rates, indicating that many jobs, particularly in the agricultural sector, are still of low productivity and pay low wages.

$1 a day and $2 a day working poverty shares in total employment (world and regions, 1990 and 2003, percentage)

	$1 a day working poverty share		*$2 a day working poverty share*	
Region	*1990*	*2003[a]*	*1990*	*2003[a]*
World	27.5	19.7	57.2	49.7
Latin America and the Caribbean	16.1	13.5	39.3	33.1
East Asia	35.9	17.0	79.1	49.2
South-East Asia	19.9	11.3	69.1	58.8
South Asia	53.0	38.1	93.1	87.5
Middle East and North Africa	3.9	2.9	33.9	30.4
Sub-Saharan Africa	55.8	55.8	89.1	89.0
Transition economies	1.7	5.2	5.0	23.6

Source: ILO, *World Employment Report, 2004-05* (Geneva, 2005), table 1.2, p. 24.
[a] Estimates.

9. In terms of unemployment rates, it would at first appear that with just 6.1 per cent of the world's workforce unemployed in 2004, nearly enough jobs are currently available for all those who seek them. But unemployment rates provide, at best, an incomplete — and even misleading — picture of the employment situation in the world. What these data fail to reveal, is the link between work and poverty. Most of the poor in developing countries are not unemployed. They work, but in unproductive, low-paying jobs where they cannot earn enough to raise themselves and their families above the poverty threshold. The absence of adequate social protection programmes in many developing countries — particularly non-work related sources of income — means that open unemployment is not an option. The basic need for survival drives people to work, even if it is in extremely unproductive jobs. Data reveal that the working poor constitute one quarter of the employed labour force in developing countries.[8]

10. There are at least three characteristics of the working poor in developing countries which merit particular attention: the feminization of poverty, the preponderance of poor people in agriculture, and the increasingly informal nature of employment and work. Participation of women in the labour market has increased and they now account for 40 per cent of the global workforce, representing a worldwide increase of nearly 200 million women in the past 10 years. However, the type and quality of jobs available to women have not improved and women continue to suffer more acutely than men from lack of decent work. Women's economic activities remain highly concentrated in poor quality, low-wage, low-productivity jobs and women constitute 60 to 80 per cent of total informal employment and have limited access to job security and few social benefits.[9] As a result, they represent 60 per cent of the world's 550 million working poor.[10] Worldwide, over 60 per cent of people working in family enterprises without pay are women.[11] Work in the home is also unpaid and often little valued.

11. Today, the bulk of the world's labour force is still employed or works in the agricultural sector and three quarters of the working poor in developing countries live in rural areas. Typically, in developing countries, agricultural wage workers

consistently display the highest incidence of extreme poverty, largely because of the low wages on small farms and seasonal unemployment. Often, such agricultural work is informal and is unprotected and unregulated. However, the size and importance of the informal sector as a source of employment and work extends beyond the agricultural sector. Informal employment accounts for between half and three quarters of non-agricultural employment in the majority of developing countries: the share of informal workers in the non-agricultural labour force ranges from 48 per cent in North Africa and 51 per cent in Latin America and the Caribbean to 65 per cent in Asia and 78 per cent in sub-Saharan Africa.[12]

B. Growth-employment linkages

12. There is broad agreement that economic growth leads to poverty reduction in developing countries. Recent cross-country evidence that economic growth is positively correlated with poverty reduction lends support to the "trickle down" theory that some benefits of growth will always reach the poor.[13] But the evidence does not show an invariant relationship between the rate of growth and the rate of poverty reduction; faster growth does not always generate a faster rate of poverty reduction, nor does slower growth always lead to slower rates of poverty reduction.[14] Therefore, what matters is not just the rate of growth, but also the rate of poverty reduction for any given rate of growth, i.e. the growth elasticity of poverty. Policies for poverty reduction should therefore promote both a faster rate of growth and a high growth elasticity of poverty.

13. While much in the literature has addressed what can be done to accelerate the rate of growth, there has been less attention to what promotes greater responsiveness of poverty reduction to growth. What seems clear, however, is that an understanding of the responsiveness of poverty to growth requires recognition of the crucial bridge that employment provides between growth and poverty reduction. Employment is central to poverty reduction simply because poor people rely mainly on the use of their labour — whether wage-labour or self-employment — for earning their livelihood. How much labour they are able to use and the return they receive for this labour determine their income. The return on labour depends, in turn, to a large extent on the portfolio of assets (including physical assets, human capital and social capital) to which poor people can have access. If the quantity of employment or the rate of return on labour is low, a worker is likely to suffer from poverty.

14. Any given growth in the economy will be able to reduce poverty fast only if the employment potential it creates enables poor people to raise their income, either through reduced unemployment or underemployment or through higher returns on labour, or both. The extent to which any given growth in the economy will stimulate the growth of employment will depend, inter alia, on the extent to which the growth is concentrated in the more labour-intensive sectors, the extent to which more labour-intensive techniques are used, especially in the growing sectors, and the extent to which the internal and external terms-of-trade linkages improve in favour of the labour-intensive sectors.

15. Of course, a high elasticity of employment does not mean that the expansion in employment will be translated into higher incomes for poor people. Poor people are able to benefit from growth in employment only if they possess the necessary attributes that will enable them to respond to and integrate into the expanding

economy. If the new opportunities are such that the capabilities they require do not match the capabilities of the poor, then either non-poor workers will seize the opportunities, or perhaps the opportunities will not be seized at all. Much, therefore, depends on matching the employment opportunities that are created with the skills, capabilities and assets possessed by the poor. The better the match, the faster will be the rate of poverty reduction for any given rate of growth.

16. There are a variety of reasons, however, why the poor may not be able to take full advantage of the employment potential unleashed by economic growth. Some of these have to do with the reasons why poor people receive low returns for their labour, namely, their low productivity because of their low skills, poor technology and inadequate complementary factors. Others have to do with the distribution of assets, market failures and prevailing social norms. The extent to which policies are able to mitigate these problems will determine, to a large extent, how fast poverty will decline at any given rate of growth.

17. In general, pro-poor growth should direct resources disproportionately to where the poor work (such as in small-scale agriculture and the informal economy), where they live (such as in underdeveloped regions and urban slums) or the assets they possess (such as unskilled labour or land). Moreover, pro-poor growth should also be sensitive to the particular needs and circumstances of women in poverty. The longer-term objective of all development is to move the workforce, and poor workers in particular, out of low-productivity sectors, poorly resourced regions and low-skilled employment. In most cases, this would imply moving poor workers out of agriculture and into industry and more modern services.

C. Improving productivity

18. Productivity growth is a crucial source of sustainable, non-inflationary improvements in living standards and employment opportunities. It stimulates economic growth and development, which allows greater scope for macroeconomic policies to be directed towards better employment outcomes and decent work that provide a living wage, job security, social protection and training.[15] Decent employment creation and productivity growth have to go hand in hand with GDP growth so that economic growth will lead to poverty reduction.[16]

19. Productivity growth has an impact on poverty because productivity drives wage increases, which help to improve the standard of living. Employment with rising productivity can set off a virtuous cycle of economic growth, leading to poverty reduction. Reduced poverty leads to the possibility of further increases in productivity and higher rates of economic growth as those moving out of poverty enjoy better health and more education; and as workers earn more, they can also spend more on consumption and so benefit the local and domestic economy.[17]

20. Rising productivity produces positive outcomes for both workers and employers. Workers can receive higher wages or work fewer hours (or both) and employers can lower the costs of production and enjoy higher profits, which can be reinvested and distributed to workers in the form of increased wages or more jobs, and to shareholders as higher dividends. Rising productivity also improves competitiveness, through lower prices for example, without resorting to cutting jobs or wages.

21. The informal economy tends to favour employment growth over productivity growth. For this reason, it is characterized by substantial economic activity, but biased towards unskilled labour and substantial underemployment. There is considerable growth potential for small-scale enterprises in the informal economy, in part due to the ease of start-up; they provide many jobs and are a key source of income, especially for unskilled labour. In Latin America, for instance, the urban informal economy was the main source of job growth in the 1990s, increasing by 3.9 per cent a year, compared to an annual growth rate of just 2.1 per cent for formal economy employment. About 60 per cent of new jobs were created by microenterprises, own-account workers and domestic services. During the 1990s in Africa, urban informal employment absorbed about 60 per cent of the urban labour force and generated more than 93 per cent of all new jobs in the region. In Asia, considerable variation in informal activity exists. It accounts for about 10 per cent of labour absorption in the newly industrializing Asian economies, but over 60 per cent in some countries.[18]

22. Given the enormity of the informal economy, particularly in developing countries, where it constitutes 41 per cent of gross national income (GNI) and as much as 78 per cent to total non-agricultural employment, it is neither realistic nor pragmatic to pursue an employment strategy which focuses only on the creation of jobs in the formal economy. Rather, the problem can be approached from both short-term and long-term perspectives. A short-term priority should focus on raising productivity and improving the wages and working conditions of those employed in the informal economy, principally by allowing the organization and representation of workers. A longer-term strategy would be to make jobs in the informal economy gradually more formalized, when they will be covered by labour laws and standards, thus increasing the likelihood of their paying living wages and providing social protection and improved working conditions. An important part of improving the productivity of these informal enterprises is to lower the cost of formalizing business, to improve access to loans, market information and protection of property rights and to enhance the economic integration of small-scale enterprises.[19]

D. Labour-intensive approaches

23. During the initial stages of development, it can be important to pursue a labour-intensive approach, particularly in infrastructure and construction, until surplus labour in the economy is absorbed.[20] Such a strategy is not necessarily a low-productivity approach. Countries should emphasize their comparative advantage, and for developing countries that advantage is often the availability of low-cost labour. To this end, added attention is being paid to increasing the employment intensity of economic growth, especially in the rapidly expanding sectors of the economy.

24. For this purpose, Governments can put in place incentive structures that would promote employment-intensive growth through directing investment to sectors that are the most employment-intensive. Labour-intensive manufacturing industries, such as those producing garments and textiles, electronics or leather products and those processing food, have traditionally provided a key source of employment opportunities in developing countries. As these industries can produce for the world market, the incentive structures — through tariffs or exchange rate policy, for example — and the global trading system can contribute to employment growth by

facilitating the flow of exports of these goods. However, garments and textiles may not offer as many opportunities as they have in the past since the termination of the Multifibre Arrangement and the opening of the world textile market, which is expected to have an impact on exports from and employment in smaller developing countries.

25. Although there is some concern that labour-intensive forms of production are less productive than capital-intensive ones, this is not necessarily the case. Furthermore, these labour-intensive forms of production are nevertheless likely to be more productive than alternative possibilities. In addition, the multiplier effects of these labour-intensive projects can further expand growth and development in poor communities. One country example revealed that a total of some 107,700 jobs were created using labour-intensive methods, compared to some 36,400 using an equipment-based approach. The labour-based method also had a higher impact on incomes than the equipment-based approach, because a higher proportion of income and consumption remained in the local economy.[21]

26. Small and microenterprises and self-employment, in both the formal and informal economies, are usually less productive than large firms. Given the importance of these small enterprises in economic growth and job creation, it is essential to increase the productivity of small firms and small-scale activities. Small firms can engage in collective action, aided by local authorities, to boost productivity and market access. Other initiatives include the development of efficient cooperatives; increasing access to commercial credit, such as through microcredit schemes and the promotion of risk-sharing among the poor; collectively providing missing business services; and improving productivity in the informal economy and the links between formal and informal operators.

27. A low-skill, low-wage development strategy should be viewed as a starting point for transition to higher value-added activities, by establishing linkages with other sectors of the economy and upgrading the skills of the workforce.[22] "As the successful economies in Asia have shown, industrialization begins by capitalizing on the abundant factor — low-cost, unskilled labour. It makes economic and social sense to build an economy on the factors in which a country has comparative advantage."[23] But, developing economies that choose to compete internationally merely on the basis of the low wages and skills of their workforce will find this path to be unsustainable in the long term unless it leads to the creation of more productive work.

28. There are examples where a large quantity of jobs has been created, but of such low quality that people have remained trapped in working poverty. Factories in developing countries often capitalize on their comparative advantage — an abundance of low-cost, low-skilled labour — to perform such tasks as simple assembly. By limiting the work to assembly, there is little value added to the goods produced, so productivity tends not to increase much, causing wages to stagnate. Compounding matters is the constant competitive threat that factories will be relocated to even lower-wage countries. To regain a competitive edge, some factories have moved away from simple assembly and begun focusing on manufacturing and knowledge-intensive product design, necessitating more skilled labour. Factory workers are offered training to upgrade their skills in order to function in this more skill-intensive environment. Such an approach follows the

"high road" to competitiveness, with the potential for avoiding low-cost competition and developing greater linkages with the domestic economy.[24]

29. The information and communication technologies (ICT) sector in South Asia provides a good illustration of countries' capitalizing on their comparative advantage — low-cost, high-skilled human resources — and relying less on physical infrastructure and financial capital, in which they have a comparative disadvantage. The average wage of computer professionals in these countries is typically 10 to 20 per cent that of comparable professionals in the developed countries. A combination of relatively low wages and a high concentration of scientists and engineers works to these countries' comparative advantage and has helped spur the boom in their ICT industries.[25]

30. Despite the success surrounding job creation efforts in growing, dynamic industries such as the ICT sector, it is important to remain focused on sectors of the economy where labour is concentrated, most notably the agricultural sector. Recent evidence indicates that when productivity and employment growth occurs in sectors where poverty is concentrated, the effect on poverty reduction is strongest.[26] Growth in the dynamic sectors may be helpful, but its impact is usually limited, both in its scope and reach to the poor. Moreover, most workers are in the rural sector and do not have the education or job skills required to compete for ICT jobs. Ultimately, the challenge is to link the dynamic sectors, such as ICT, with other sectors of the economy where the majority of labour is employed, such as agriculture.

E. Managing sectoral shift

31. The effects of growth leading to employment shifts between sectors are as important as those generating employment growth within sectors. The structural transformation of employment from low-productivity agriculture to higher value-added manufacturing results in raising productivity overall in the economy. However, manufacturing's contribution to job creation is historically lower than job creation in agriculture and services. There is therefore a need to focus on improving job creation in the manufacturing sector while ensuring that jobs created in agriculture and services do not remain those of low productivity and low wages.

32. Admittedly, there can be initial job loss associated with an increase in productivity owing to the introduction of labour-saving technology (such as the mechanization of agriculture), which makes more output possible with fewer workers. But this "creative destruction", as old jobs lost in declining industries are replaced by new jobs in growing sectors, leads to a sectoral shift, such as from agriculture to manufacturing, or from manufacturing to services, as technology creates new products and processes, leading to expansion of markets and more job opportunities. However, the adaptation of the labour market to structural change takes place over the longer term, so there is need for a short-term approach to create jobs that displaced workers can move into rather than end up flooding the urban informal economy.

33. Overall, the service sector has been growing, whereas manufacturing as a whole is contracting. The service sector accounts for between 10 and 80 per cent of employment in developing countries, and is on the rise. Even among low-income countries, the service sector represented 46 per cent of GDP in 2002, up from 38 per cent in 1980, as compared to an average share of 71 per cent of GDP in high-income

countries.[27] The service sector tends to have lower rates of productivity growth than industry, but services were the largest contributor to net employment creation. "Increasing service sector employment can either indicate a successful transition of the economy towards higher productivity levels, or reflect high numbers of hidden unemployed people in low-productivity services."[28]

34. Since agriculture is such a significant share of the economy of developing countries, poverty reduction cannot be achieved without focusing on this sector. In sub-Saharan Africa seven out of 10 people work in agriculture and in large parts of Asia five out of 10 people work in agriculture. Since most of the poor are in rural areas and agriculture is the main economic activity in certain regions, it has to be an integral part of the pro-poor growth and employment strategy. International Labour Organization (ILO) evidence shows that countries where productivity and employment in agriculture have both grown have had the greatest declines in extreme poverty. "The growth of agricultural productivity is the strongest predictor of the reduction of extreme poverty."[29]

35. Policies are needed to support smallholder agriculture, product diversification and a better distribution of land ownership in agriculture. It is also important to invest in infrastructure, water supply, health, education, agricultural research and development. These investments tend to pay off over the longer term. Without specific policy guidance, productivity growth in agriculture could result in employment displacement (due to the introduction of labour-saving machines such as tractors and tillers), leading to rural-urban migration, with concentrations of poverty shifting from the rural areas to the urban informal economy, especially in services. The service sector is more apt to absorb hidden unemployment than the industrial sector, because it is less capital-intensive and small-scale production predominates.[30] Often, people are not pulled to the service sector because of its high productivity growth; rather, they are pushed by faltering productivity in other sectors, particularly agriculture.

36. In order to reduce rural poverty, there needs to be a focus on employment growth in rural areas which can raise the productivity and real wages of agricultural labourers. Productivity growth in agriculture can help to reduce the cost of food, which in turn will raise the purchasing power and well-being of the poor. At the same time, it is important not to lower prices too much, in order to ensure that food-exporting countries can foster an attractive investment environment. In the same vein, a fairer globalization is needed so that developing countries have a chance to participate in trade of agricultural products, thus enabling the agricultural sector to contribute effectively to employment growth and poverty reduction.

F. Labour market interventions

37. It has been argued that the ability of poor people to take advantage of an expansion in employment from any given growth will depend on the degree to which they possess the attributes that will enable them to respond to and integrate into the expanding economy. In order to facilitate and promote the acquisition and development of these attributes, active labour market policies are needed to increase the demand for labour, enhance the quality of the labour supply and improve the matching of demand and supply. Labour market policies should also promote and support institutions, including employment regulation, vocational training, social

security and industrial relations systems, that can influence individual employment decisions.

38. There is little disagreement that it is critically important to ensure that there is sufficient investment in education and training in order to create a skilled, adaptable workforce that is capable of competing in an increasingly knowledge-based and globalized marketplace. Investing in education, training and retraining helps ensure that workers are responsive to ever-changing labour market demands, which in turn enables employers to remain competitive. A strong skills base also promotes productivity, incomes and access to employment opportunities through adaptability to change and the capacity to innovate. Education, training and skills enhancement are important elements of equitable growth that affect the distribution of productive opportunities.

39. Improved social security systems and income support are also important for reducing inequality and poverty. Improved health and workplace safety are an investment in the quality of workers' lives and raise their productivity. Labour regulations in many countries provide limited or no protection for poor workers, particularly those in the informal economy. In the absence of adequate protection, including unemployment insurance and other forms of income support, disadvantaged groups and workers in the informal economy suffer serious hardship during unemployment and in transition periods between jobs. This reinforces the need for expanding social security systems to support employment and income generation.

IV. Security, human rights, poverty and employment

40. There is a multifaceted and intricate link between economic, social and political development, human rights and security. Humanity cannot enjoy one in the absence of the other. They are mutually reinforcing and the presence of one enhances the others, thus creating a virtuous cycle of development, security and human rights. Equally, the absence of one poses a serious threat to the others.

A. Security: employment dimensions

41. Living in a secure environment, safe from violence or the threat of violence, is crucial for the well-being of all. It is well known that armed conflicts cause loss of life, force people to flee their homes, threaten peoples' basic human rights, undermine development and exacerbate poverty. In addition, violent conflict causes and exacerbates divisions that are extremely difficult to overcome.

1. Conflict

42. Available evidence shows that poorer countries are more likely to experience violent conflict and that conflict-affected countries tend to experience higher levels of poverty. Violent conflict results in the destruction of economic and human capital. A country emerging from conflict is faced with damaged physical and social infrastructure, scarce employment opportunities, reduced foreign investment and increased capital flight. In addition, conflict increases military expenditure, which diverts resources from public and social spending and erodes the Government's ability to collect taxes and manage revenues, thus undermining post-conflict

recovery. This situation is worsened by weak governing institutions, which are often unable to implement policy and uphold the rule of law. Conflict often contributes to poor-quality education, inadequate social service delivery and high levels of brain drain. The conjunction of these factors increases both the depth of poverty and the risk of conflict being reignited.

43. Viewed from the other direction, although poverty itself is neither a necessary nor a sufficient condition for conflict, it may increase the likelihood of violent conflict. The interrelationship between conflict and poverty is often affected by group-based inequalities, i.e. those that develop between and among distinct social groups on the basis of their ethnic, social, regional or other characteristics. These horizontal inequalities may serve to escalate conflict into violence when ethnicity is politicized and social capital, defined as associations within and between groups in a society, is distorted via the strengthening of intra-group bonds at the cost of weakening ties between groups.

44. Increased poverty and unemployment are two major consequences of conflict. Conflict leaves many individuals and families in poverty and with disabilities, while society loses many others to migration. Productive assets and infrastructure are often destroyed, leaving economies less capable of absorbing new entrants into the labour market. Moreover, an unstable environment is not conducive to private-sector investment, and without the participation of the private sector, development efforts will inevitably fall short. It is essential that individuals be provided with an opportunity to work their way out of poverty in a dignified way and, therefore, employment must be at the centre of any effort to reduce poverty in the aftermath of conflict, just as it is central to development in general.

45. High levels of unemployment or underemployment in themselves do not directly cause violent conflict. However, absence of development, poverty, lack of opportunities, social exclusion and unemployment are among the root causes of conflict and certainly make peace less likely. Conflict has an adverse impact on economic activities, which leads to higher unemployment. The challenge is to replace this vicious cycle of violence, poverty, unemployment and a general lack of development with a virtuous cycle of peace, development, employment opportunities and increased affluence. Improving the material conditions of conflict-affected people through employment promotion is an essential aspect of long-term peacebuilding and invaluable for the reintegration of refugees and internally displaced persons.

46. Young people have always played a disproportionately large role in conflicts, both as victims and offenders. The prevalence of large groups of young people, sometimes described as youth bulges, has been said to make countries unstable and prone to conflict. Indeed, there is evidence of a relationship between youth bulges and armed internal conflict. This relationship seems particularly robust in conditions of economic stagnation, where the formal sector is incapable of absorbing large numbers of new entrants into the labour force, giving many young people only the choice between unemployment or joining the informal sector. When large numbers of young people are kept out of the labour market, it is likely to cause dissatisfaction and grievances which can become a fertile breeding ground for potential rebels, terrorists or insurgents.

2. Post-conflict reconstruction

47. It cannot be emphasized strongly enough that employment creation is one of the immediate needs in a post-conflict situation. Providing work opportunities must be an integral part of the humanitarian response to the post-conflict situation to contribute to human security.[31] Of course, food, shelter and physical safety must come first, but almost immediately thereafter, employment is needed to enable people to reconnect with their economy and society and to meet their needs in conditions of dignity and respect.

48. Societies do not have to wait for reconstruction to be completed to expand production capacity and subsequently job creation. The poor cannot wait. On the contrary, the reconstruction process can create jobs immediately after the end of conflict, especially in labour-intensive reconstruction and public works projects, such as the refurbishment of housing, commercial infrastructure, feeder roads and water management systems, all of which are urgently needed for any reconstruction and can help jump-start the economy. Labour-intensive public works projects have been shown to be cost-effective and competitive when compared with equipment-based methods in rehabilitation, irrigation and urban slum upgrading schemes.[32] A potential concern, however, is that the construction, rehabilitation and maintenance of infrastructure in some countries has been taken over by multinational public works enterprises which use more capital-intensive, rather than labour-intensive, methods, resulting in a loss of domestic capacity and employment.

49. Although it is difficult to generalize about the effects of conflict on education and training systems, it is clear that they can be significant, especially if the conflict is drawn out. Schools are often destroyed and students find it difficult or impossible to continue with their education. At the end of a conflict, the labour force usually lacks education and skills. Skilled labourers may have died, left or become disabled. Large groups of young persons will have suffered breaks in their education or training due to the conflict. Thus, there are large numbers of unskilled young persons entering the labour force.

50. After the conflict is over, the authorities must try to restore speedily the basic conditions required for a properly functioning labour market. This involves a number of issues, such as improving the flow of information, labour and capital mobility, supply of credit and ensuring the integration of all groups (including persons with disabilities, minorities, former soldiers, etc.). This is particularly important, given that most conflicts have at least an element of ethnic division and, thus, providing equal access to employment opportunities is a way of ensuring the continuance of peace.

51. In times of conflict, the informal economy often grows. With the end of conflict, it is important to reassert the formal economy, while keeping in mind that the informal economy is the only viable opportunity of a livelihood for many and that the downsizing of the informal economy may not be compensated for by the growth of the formal sector.

52. Often, the end of conflict provides opportunities, as populations may accept more radical economic and social changes that target socio-economic problems, such as poverty and inequality, which contributed to the start of conflict in the first place. It is extremely important to bear this in mind at the outset of reconstruction. There needs to be a balance between the demands for greater economic growth and

those for social justice and human welfare. Indeed, these issues often go to the heart of why the conflict occurred.

53. Gender inequalities are often exacerbated during times of conflict and in post-conflict situations. Employment-generating reconstruction programmes must be sensitive to traditional patterns of gender discrimination, which prevent women from profiting from them. This is particularly important given that conflict tends to increase the numbers of households where women are the sole breadwinners for their families, increasing their need for independent income.[33] The post-conflict period can provide women with new employment opportunities and it is crucial that reconstruction projects include employment opportunities for women, whether it be in building physical infrastructure or the equally important social infrastructure, including the education system, health-care services and social protection. Women-led households tend to be significantly poorer than other households, making employment in reconstruction programmes particularly important for this group.

B. Human rights: employment dimensions

54. Opportunities for productive work address more than simply the income aspect of poverty. Employment empowers people to obtain recognition of their rights, to demand respect and to participate in and contribute to the betterment of their lives and society. Linked to this is the importance of providing opportunities for education, skill development and training, and access to health services and productive assets. Yet, discrimination continues in the labour market and persistent gender inequality and age, racial, ethnic and other forms of discrimination exacerbate poverty, threatening social justice, peace and security.

1. Promoting human rights

55. Promoting basic human rights and social justice and eliminating discrimination are essential for human dignity, as well as for poverty reduction and social and economic development. Reducing poverty and improving the human condition are important elements of the overall aims of a number of international human rights instruments and declarations, among them the ILO Declaration on Fundamental Principles and Rights at Work and the International Covenant on Economic, Social and Cultural Rights. These instruments seek to ensure the right to work in just and favourable conditions; form trade unions; attain social security and an adequate standard of living, including adequate food, clothing and housing; enjoy physical and mental health; acquire an education; and take part in cultural life.

56. The goal of poverty reduction can only be met by promoting the right to equality of opportunity in regard to access to education, health care, social protection and other dimensions of social welfare. Improving human development and fostering a productive workforce — in short, improving the employability of the working poor — will enable the poor to participate in and benefit from economic growth.

2. Overcoming discrimination

57. Improving the employability of the working poor is one element of a rights-based approach to reducing poverty through employment. A second is to eliminate discriminatory practices against the employment of certain groups, preventing them

from freely choosing work according to their aspirations and abilities. People who are discriminated against are more likely to come from disadvantaged groups and lack fair access to employment, particular occupations, education and training, and equal remuneration.

58. Generally, the link between employment creation and poverty reduction has been weaker for women than men, mainly because of the discrimination and disadvantages that women encounter in the labour and asset markets. Women are more likely to fall into poverty, because they continue to encounter discrimination across the board, in education, training and employment and in respect to earnings — on average, women earn about two thirds of male wages. In the face of the feminization of poverty, it is critical that measures to combat gender inequalities should be mainstreamed into poverty reduction strategies. The empowerment and advancement of women in society will depend on the closing of the gender gap in wages and employment.

59. Age discrimination at work affects people at both ends of the continuum — youth and older workers. The world's population is as young as it has ever been. Just under half of the global population, 48 per cent, is 24 years old or younger. Of the world's over 1 billion young people aged between 15 and 25 years, 85 per cent live in developing countries, where many are especially vulnerable to poverty. Young people suffer unemployment rates two to three times those of other age groups. The youth gender gap continues to be of particular concern: young women have higher unemployment rates than their male counterparts. What makes youth more vulnerable to unemployment than adults is their lack of work experience and job skills. Many of them are concentrated in informal employment; around 93 per cent of all jobs available to young people in developing countries are in the informal economy.[34]

60. At the other end of the age spectrum are older persons who would like to continue working, but are restricted from doing by legal retirement ages, or for whom work remains an economic necessity. With an estimated 90 per cent of the world's working population not covered by pension schemes capable of providing adequate retirement income,[35] many older persons do not have the option of retiring. About 40 per cent of people above 64 in Africa and about 25 per cent in Asia are still in the labour force, mostly in the agricultural sector, whereas this rate in the more developed parts of the world is less than 10 per cent.[36]

61. Both young people and older workers often have difficulty gaining access to credit because they are considered a very high risk by lenders. In some cases, explicit age barriers prevent younger or older persons from qualifying for microcredit schemes or low-interest loans. Changes in credit policy can help youth and older persons who are motivated to do so to become entrepreneurs, running small and microenterprises.

62. Persons with disabilities are often victims of discrimination and unemployment rates are quite high among this group. There are an estimated 386 million people with disabilities of working age in the world.[37] Legislation, policies and programmes should be introduced to promote employment opportunities for people with disabilities, enhance job retention for those who acquire a disability while employed and facilitate a return to work for those who have left their jobs owing to a disability. Ways to improve the employability of workers with disabilities include granting them access to education and training, providing them with the

necessary support services on the job and making workplaces and transportation more accessible to them.

63. Migrant workers are also vulnerable to discrimination and are frequently denied the same rights and protections on the job that nationals enjoy. For example, migrants are less likely to be afforded job-based health insurance, unemployment benefits and pensions than nationals working in the same country. Policies should be enacted to eliminate these discriminatory practices and to ensure that the host country's labour laws and labour standards are applicable to migrant workers as well.

64. An important way to overcome discrimination is through the participation and empowerment of disadvantaged groups. By granting stakeholders a say in the policy development process, social dialogue contributes to the likelihood that the outcomes will be better tailored to the needs of the target groups. The process of inclusion and involvement also gives stakeholders a better sense of ownership of the policies developed, which has been shown to contribute to the success of their implementation.

3. Eliminating forced and child labour

65. It has sometimes been argued that human rights are a luxury that not all can afford; that once development has been achieved, then it will be possible to ensure that all persons can enjoy their human rights. A case in point might be child labour, which is both a cause and effect of poverty. Currently, it is estimated, one out of six, or 246 million, children are child labourers. Most of them work in the agricultural sector. Others are street children, domestic workers, factory workers or prostitutes. It is, of course, poverty and desperation that drive children out to work and it is poverty that keeps these children locked in a vicious cycle of low education, poor health, bad employment opportunities and continued poverty. A recent study has demonstrated that the economic benefits of eliminating child labour will be nearly seven times the costs of such action.[38] This calculation does not include the long-term human and social benefits. Respecting the human rights of children and preventing child labour is not a luxury; it is a moral, social and economic imperative.

66. Another manifestation of the link between poverty, human rights and development is the continuing practice of slavery and forced labour. Many are born into slave or bonded status, while others are kidnapped, coerced, threatened or falsely indebted. Accurate statistics on trafficking and slavery are extremely difficult to compile, given the illicit and clandestine nature of these practices. It is estimated that between 12 and 27 million people are trapped in forced labour or slavery today.[39] A majority of these people live in debt bondage, where human beings become collateral against a loan which, in practice, is all but impossible for them to repay. Often these debts are inherited by the labourer's children. Typically, those who are most vulnerable to slavery and forced labour are women, children, migrants and other members of minority groups. It is generally understood that methods to combat trafficking, slavery and forced labour must include rigorous law enforcement and prevention, and rehabilitation measures that have a human rights and victim-based approach. However, it is crucial to identify the structural factors at the national and global levels that explain the persistence or even growth of these practices.

V. Conclusion and recommendations

67. The achievement of the Millennium Development Goal of eradicating poverty requires more than just high economic growth. As the causes of poverty are multifaceted, so are its solutions. Arguably, the best anti-poverty programme is employment and the best route to socio-economic development and personal well-being is through decent work. Productive employment opportunities will contribute substantially to achieving the Millennium Development Goals, particularly the target under the first goal of halving extreme poverty by 2015. There should be a focus on creating better and more productive jobs, particularly those that can absorb the high concentrations of working poor. Among the necessary elements for creating such jobs are investing in labour-intensive industries, especially agriculture, encouraging a shift in the structure of employment to higher productivity occupations and sectors, and upgrading job quality in the informal economy. In addition, there should also be a focus on providing poor people with the necessary skills and assets that will enable them to take full advantage of any expansion in employment potential.

68. Unemployment and underemployment are critical factors in the link between development and poverty and are the root causes of, as well as the effect of, insecurity. Employment plays a major role in maintaining peace and security by ensuring that people are engaged in building and sustaining their communities, as well as in helping to rebuild following a major conflict or crisis. Respect for human rights and dignity is an essential element for poverty eradication and constitutes the foundation for providing access to and opportunities for productive employment. Of critical importance are promoting education, skill development, training and health care, and empowering workers through improving their protection, rights and voice, while expanding opportunities for quality jobs.

69. In the light of the issues discussed in the present report, the General Assembly may wish to consider the following recommendations:

(a) **Ensure that the creation of productive employment is a central objective of national and international macroeconomic policies, in order to create opportunities for workers to secure productive employment in conditions of equity, equality, security and human dignity;**

(b) **Ensure that employment policies are fully integrated into national poverty reduction strategies, including the poverty reduction strategy papers;**

(c) **Enhance coherence within the multilateral system in promoting productive and decent work;**

(d) **Support the promotion of decent employment opportunities, rights at work, social protection and social dialogue, as well as raising the quality of work, skills and capabilities;**

(e) **Increase the demand for labour, raising the productivity and incomes of people living in poverty and improving their access to health care, education, skills development and training;**

(f) Integrate socially excluded groups into the labour market, establishing adequate protection mechanisms against income insecurity and overcoming discrimination and barriers to employment, particularly against women and girls;

(g) Promote efficient and productive labour-intensive methods of work and production, in both rural and urban areas, with particular attention to post-conflict situations;

(h) Encourage open and participatory dialogue among all stakeholders to ensure that employment policies are more responsive to the needs and interests of all concerned.

Notes

[1] See *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I, sect. C.

[2] See "Declaration on the tenth anniversary of the World Summit for Social Development" adopted by the Commission on Social Development at its forty-third session (*Official Records of the Economic and Social Council, 2005, Supplement No. 6* (E/2005/26), chap. I, sect. A).

[3] The extraordinary summit of the African Union on employment and poverty alleviation, Ouagadougou, 2004; the Ibero-American Summit, Santa Cruz de la Sierra, Bolivia, 2003; the Special Summit of the Americas, Monterrey, Mexico, 2004; the Summit of the Heads of State and Government of Latin America and the Caribbean and the European Union, Guadalajara, Mexico, 2004; and the meeting of the Working Party on Social Questions of the Council of the European Union.

[4] ILO, *A Fair Globalization: Creating Opportunities for All* (Geneva, 2004), p. xiii.

[5] A/59/2005, para. 37.

[6] ILO defines the working poor as "those who work *and* who belong to poor households ... The *individual* is the basis for establishing the 'working' and 'not working' classification; and the *household* is the basis for establishing the 'poor' and 'not poor' classification". See Nomaan Majid, *The Size of the Working Poor Population in Developing Countries*, Employment Paper 2001/16 (Geneva, ILO, May 2001), p. 2.

[7] ILO, *Working out of Poverty, 2003* (Geneva, 2003), p. 20.

[8] Nomaan Majid, op. cit., p. 11.

[9] ILO, *Women and Men in the Informal Economy: A Statistical Picture*, Employment Sector paper (Geneva, 2002).

[10] ILO, *Global Employment Trends for Women 2004* (Geneva, 2004), p. 3.

[11] United Nations, *The Millennium Development Goals Report 2005*, (New York, 2005), p. 16.

[12] *The Inequality Predicament: Report on the World Social Situation 2005* (A/60/117/Rev.1-ST/ESA/299), United Nations publication Sales No. E.05.IV.5, p. 30.

[13] The initial level of inequality and how inequality responds to growth will also affect the poverty-reducing impact of growth. See N. Kakwani, "A note on growth and poverty reduction", Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction, Asian Development Bank, Manila, 5-9 February 2001.

[14] This section draws upon S. R. Osmani, "The employment nexus between growth and poverty: an Asian perspective", report prepared for the Swedish International Development Agency (SIDA) and the United Nations Development Programme (UNDP), March 2004.

[15] ILO, "A Global Agenda for Employment", Discussion paper, 2002.

[16] *World Employment Report*, p. 30.

[17] Rizwanul Islam, "The nexus of economic growth, employment and poverty reduction: an empirical analysis", Issues in Employment and Poverty, Discussion paper 14 (Geneva, ILO. January 2004) , p. 4.

[18] ILO, *Decent Work and the Informal Economy*, Report VI, International Labour Conference, 90th Session (Geneva, 2002).

[19] ILO, *World Employment Report 2004-05*, p. 108.

[20] Report to the Governing Body of the International Labour Office, Committee on Employment and Social Policy, "Productive employment for poverty reduction and development" (GB.289/ESP/2), Geneva, May 2004.

[21] *World Employment Report 2004-05*, p. 104.

[22] *Ibid.*, p. 98.

[23] *Ibid.*, p. 105.

[24] *Ibid.*, p. 89.

[25] *Ibid.*, p. 116.

[26] *Ibid.*, p. 9.

[27] World Bank, *World Development Indicators 2004*.

[28] *World Employment Report 2005-06*, p. 115.

[29] *Ibid.*, p. 15.

[30] *Ibid.*, p. 112.

[31] Jayasankar Krishnamurty. "The labour market and conflict", in *Jobs after war: a critical challenge in the peace and reconstruction puzzle*, Eugenia Date-Bah, ed. (Geneva, ILO, 2005).

[32] Comprehensive report of the Secretary-General on the implementation of the outcome of the World Summit for Social Development (A/AC.253/13), para. 874.

[33] Eugenia Date-Bah, Marta Walsh and others, *Gender and Armed Conflicts: Challenges for Decent Work, Gender Equity and Peace Building Agendas and Programmes* (Geneva, ILO, 2001).

[34] ILO, "Facts on youth employment", available at www.ilo.org/public/english/yett.facts.htm.

[35] Colin Gillion and others (eds.), *Social Security Pensions: Development and Reform* (Geneva, ILO, 2000).

[36] ILO, "An inclusive society for an ageing population: The employment and social protection challenge", paper for the Second World Assembly on Ageing, Madrid, 8-12 April 2002.

[37] "Disability and the world of work", www.ilo.org/public/english/employment/skills/disability/diswork.htm.

[38] ILO, *Investing in every child* (Geneva, 2005), p. 4.

[39] International Labour Conference, *A Global Alliance against Forced Labour: Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work* (Geneva, ILO, 2005); Kevin Bales, *Disposable People: New Slavery in the Global Economy* (University of California Press, 2000).